

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:1289

ANSWERED ON:25.07.2016

Trade Deficit

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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) the details of the overall trade deficit of India with other countries during the last three years and the current year;
(b) the contribution of various sectors in India's trade deficit with other countries along with the export and import figures for each of them during the said period;
(c) whether the electronics imports into the country form a major part of the total trade deficit of India;
(d) if so, the details thereof along with the steps taken to boost electronic manufacturing for both domestic and export purposes; and
(e) the steps taken by the Government to boost other major sectors which are large contributors to the trade deficit of India?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (INDEPENDENT CHARGE)
(SMT. NIRMALA SITHARAMAN)

- (a) Total value of merchandise trade deficit of India with other countries during the last three years and current year is as follows:

Year Trade Deficit
(Value in US \$ Billion)
2013-14 -135.80
2014-15 -137.68
2015-16 -118.63
2015-16 (Apr-May)* -10.59

Source: DGCI&S, *Provisional

- (b) The contributions of various sectors to India's merchandise trade deficit with other countries along with the exports and imports figures for last 3 years and the current year are as follows:

(Value in US \$ Billion)
EXPORTS IMPORTS Trade Deficit
Major Sectors 2013- 14 2014- 15 2015- 16 2016-17 (Apr- May)* 2013- 14 2014- 15 2015- 16 2016-17 (Apr-May)* 2013- 14 2014- 15 2015- 16 2016-17 (Apr-May)*
Petroleum, Crude and Products 63.2 56.8 30.5 4.1 164.8 138.3 82.9 11.6 -101.6 -81.5 -52.4 -7.5
Electronic Goods 7.8 6.3 5.9 1.0 33.2 37.5 40.9 5.6 -25.4 -31.3 -35.0 -4.6
Engineering Goods 63.9 73.1 60.6 10.6 78.0 82.8 80.3 10.9 -14.1 -9.8 -19.7 -0.3
Gems and Jewellery 41.4 41.3 39.4 7.3 58.4 62.4 56.5 7.6 -17.0 -21.1 -17.1 -0.3
Mica, Coal and Other Ores, Minerals including Process 4.0 3.9 3.6 0.6 25.0 26.3 20.4 3.1 -21.0 -22.4 -16.8 -2.5
Organic and Inorganic Chemicals 14.2 14.4 13.7 2.2 23.4 25.1 23.0 3.7 -9.2 -10.7 -9.3 -1.5
Fertilisers, Crude and Manufactured 0.1 0.1 0.1 0.0 6.3 7.4 8.1 0.7 -6.2 -7.3 -8.0 -0.7
Plastic and Linoleum 6.1 5.7 5.8 0.9 10.8 12.4 12.1 2.1 -4.6 -6.7 -6.4 -1.2
Wood and Wood Products 1.8 1.9 2.0 0.4 5.1 5.5 5.0 0.7 -3.3 -3.6 -3.0 -0.4
Pulp and Waste Paper 0.0 0.0 0.0 0.0 0.8 0.9 1.0 0.2 -0.8 -0.9 -0.9 -0.2
Newsprint 0.0 0.0 0.0 0.0 0.9 0.8 0.8 0.1 -0.9 -0.8 -0.8 -0.1
Iron Ore 1.6 0.5 0.2 0.1 0.1 1.1 0.5 0.0 1.5 -0.5 -0.3 0.1
All merchandise trade 314.4 310.4 262.0 42.9 450.2 448.0 380.7 53.5 -135.8 -137.7 -118.6 -10.6
% share of Electronic Goods 2.5 2.0 2.3 2.3 7.4 8.4 10.7 10.5 18.7 22.7 29.5 43.4

Source: DGCI&S, *Provisional

- (c) & (d) The electronics imports/exports of the country contribute to the total trade deficit of India. As reflected in the above table, the trade deficit due to Electronics items forms 18.7%, 22.7%, 29.5% and 43.4% of the total trade deficit of India during 2013-14, 2014-15, 2015-16 and 2016-17 (April-May), amounting to US\$ -25.4, -31.3, -35.0 and -4.6 billion in value terms respectively.

The steps taken by the Government to boost electronic manufacturing for both domestic and export purposes are as under:

1. Promotion of electronics hardware manufacturing is one of the pivotal Flagship Programmes under Digital India campaign of the Government.
2. The National Policy on Electronics (NPE 2012) was notified in October 2012 with the vision to create a globally competitive electronics design and manufacturing industry to meet the country's needs and serve the international market.
3. Modified Special Incentive Package Scheme (M-SIPS) provides financial incentives to offset disability and attract investments in the Electronics Systems Design and Manufacturing (ESDM) sector. The scheme was notified in July 2012. The scheme provides subsidy for investments in capital expenditure - 20% for investments in SEZs and 25% in non-SEZs. The scheme is available for both new projects and expansion projects. For high technology and high capital investment units like Fabs, production subsidy @10% is

also provided. The incentives are available for investments made in a project within a period of 10 years. The scheme is open to receive applications till 26.07.2020.

4. Electronics Manufacturing Clusters (EMC) Scheme provides financial assistance for creating world-class infrastructure for electronics manufacturing units. The assistance for the projects for setting up Greenfield Electronics Manufacturing Clusters is 50% of the project cost subject to a ceiling of Rs. 50 Crore for 100 acres of land. For larger areas, pro-rata ceiling applies. For lower extent, the extent of support would be decided by the Steering Committee for Clusters (SCC) subject to the ceiling of Rs. 50 Crore. For setting up Brownfield Electronics Manufacturing Cluster, 75% of the cost of infrastructure, subject to a ceiling of Rs.50 Crore is provided.

5. Policy for providing preference to domestically manufactured electronic products in Government procurement is under implementation.

6. Electronic Development Fund (EDF) policy has been approved to support Daughter Funds including Early Stage Angel Funds and Venture Funds in the area of Electronics System Design and Manufacturing, Nano-electronics and IT. The supported Daughter Funds will promote innovation, R&D and product development within the country.

7. A meeting of State IT Ministers and State Government Officials was held on 26.08.2014 to encourage them to actively promote electronics manufacturing. Several States have shown keen interest.

8. Approvals for all foreign direct investment up-to 100% in the electronic hardware manufacturing sector are under the automatic route.

9. Under the Electronics Hardware Technology Park (EHTP) Scheme, approved units are allowed duty free import of goods required by them for carrying on export activities, CST reimbursement and excise duty exemption on procurement of indigenously available goods, as per the Foreign Trade Policy.

10. Tariff Structure has been rationalized to promote indigenous manufacturing of electronic items.

11. Mandatory compliance to safety standards has been notified for identified Electronic Products with the objective to curb import of sub-standard and unsafe electronics goods. As of now, 30 electronic products are under the ambit of this Order.

12. Government has approved setting up of two semiconductor wafer fabrication (FAB) manufacturing facilities in India.

13. Two Schemes for skill development of 90,000 and 3,28,000 persons, respectively in the electronics sector have been approved to provide human resource for the industry.

14. The Scheme to enhance the number of PhDs in the Electronic System Design and Manufacturing (ESDM) and IT/IT Enabled Services (ITES) sectors has been approved. 3000 PhDs are proposed to be supported under the Scheme.

15. Keeping in view the huge indigenous requirement on account of roadmap for digitalization of the broadcasting sector, Indian Conditional Access System (iCASTM) has been developed to promote indigenous manufacturing of Set Top Boxes (STBs). The iCASTM is available to domestic STB manufacturers at a price of USD 0.5 per license for a period of three years as against market price of USD 4-5 per license for other competing products. The implementation of iCASTM in the cable networks has already started.

16. An Electropreneur park has been approved for providing incubation for development of ESDM sector which will contribute IP creation and Product Development in the sector.

17. National Centre of Excellence in Flexible Electronics (NCFlexE) is being set up in IIT Kanpur with the objectives to promote R&D; Manufacturing; Ecosystems; Entrepreneurship; International Partnerships and Human Resources and develop prototypes in collaboration with industry for commercialization.

18. National Centre of Excellence for Technology on Internal Security (NCETIS) is being set up at IIT-Bombay with the objective to address the internal security needs of the nation on continuous basis by delivering technology prototypes required for internal security and to promote domestic industry in internal security.

19. Centre for Excellence on Internet of Things (IoT) is being set up in Bengaluru jointly with NASSCOM.

20. An Incubation Centre with focus on medical electronics is being set up at Indian Institute of Technology, Patna.

21. An Incubation Centre with focus on consumer electronics is being set up at IIITM at Kochi.

22. The Department of Electronics and Information Technology (DeitY) provides funding under several schemes for promotion of R&D, including support for International Patents in Electronics & IT (SIP-EIT); Multiplier Grants Scheme and Scheme for Technology Incubation and Development of Entrepreneurs (TIDE) in the area of Electronics, ICT and Management.

23. DeitY has approved a project to be implemented by Global Innovation and Technology Alliance (GITA) to promote Innovation, IP, R&D and commercialization of products, etc. in the ESDM sector by providing funding support to an Industry, for doing collaborative research with an Academic Institute in the priority areas with a timeline of not more than two years.

24. DeitY has approved a project being implemented by Biotechnology Industry Research Assistance Council (BIRAC) to promote scientific and technological research in Medical Electronics sector in India to address the pressing challenges associated with the development of innovative medical electronics and making it available, accessible and affordable to the people at the bottom of the pyramid.

(e) Details of key steps taken by Government to boost exports, including for major sectors which are large contributors to the trade deficit of India, are as follows:

i. The New Foreign Trade Policy (2015-20) was announced on 1st April, 2015 with a focus on supporting both manufacturing and services exports and improving the 'Ease of Doing Business'.

ii. In the light of the major challenges being faced by Indian exporters in the backdrop of the global economic slowdown, the envisaged revenue outgo under MEIS was increased from Rs. 18000 Crore to Rs. 21000 Crore in October 2015 with accompanying enhancement in benefits on certain products and inclusion of certain additional items. On 04.05.2016, the Government has extended the market coverage to all countries in respect of 2787 lines. Hence Landing Certificates shall not be required under MEIS w.e.f 04.05.2016. This step has been taken as part of 'Ease of Doing Business' and reduction of Transaction Cost of the exporters. Accordingly, revenue foregone under the scheme has been revised from Rs.21000 Crores per annum to Rs.22,000 Crores per annum.

iii. The Government is implementing the Niryat Bandhu Scheme with an objective to reach out to the new and potential exporters including exporters from Micro, Small & Medium Enterprises (MSMEs) and mentor them through orientation programmes, counselling sessions, individual facilitation, etc., on various aspects of foreign trade for being able to get into international trade and boost exports from India.

iv. By way of trade facilitation and enhancing the ease of doing business Government reduced the number of mandatory documents required for exports and imports to three each, which is comparable with international benchmarks. The trade community can file applications online for various trade related schemes. Online payment of application fees through Credit/Debit cards and electronic

funds transfer from 53 Banks has been put in place.

v. Further, the Government continues to provide the facility of access to duty free raw materials and capital goods for exports through schemes like Advance Authorisation, Duty Free Import Authorization (DFIA), Export Promotion Capital Goods (EPCG) and drawback / refund of duties.
